

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

POLICY DEVELOPMENT GROUP – 31 JANUARY 2012

Title of report	HOUSING REVENUE ACCOUNT (HRA) REFORM
Contacts	<p>Councillor Roger Bayliss 01530 411055 roger.bayliss@nwleicestershire.gov.uk</p> <p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Head of Housing and Customer Services 01530 454780 chris.lambert@nwleicestershire.gov.uk</p> <p>Interim Head of Finance 01530 454520 bob.nelsey@nwleicestershire.gov.uk</p>
Purpose of report	<p>To make Policy Development Group aware of the preparations for the introduction of Housing Revenue Account Reform in April 2011, and invite comments on the draft Housing Revenue Account Business Plan attached as Appendix 1 to this report.</p>
Council Priorities	<p>This report relates to the following Council priorities –</p> <p>Pride in the Community Green Footprints Challenge Value for Money</p>
Implications:	
Financial/Staff	<p>The change in national housing subsidy regime introduced by HRA Reform will release additional funds for investment in improving the housing stock and providing services to tenants. It ends the annual payment of negative subsidy, in return for a one off payment to Government.</p>
Link to relevant CAT	<p>Delivering HRA Reform is a key action within the Housing and Customer Services SMART Plan for 2011/12</p>
Risk Management	<p>The HRA Business Plan will form part of the Councils Corporate approach to Risk Management, and Section 13 specifically deals with risk identification and management.</p>

Equalities Impact Assessment	To be completed in 2011/12.
Human Rights	No implications apparent.
Transformational Government	Introducing HRA Reform is one of the key policy objectives of the recently approved Localism Act.
Comments of Head of Paid Service	The Report is satisfactory
Comments of Section 151 Officer	The Report is satisfactory
Comments of Monitoring Officer	The Report is satisfactory
Consultees	Finance Department Internal Officer Project Team and Project Board Corporate Leadership Team Tenants and Leaseholders Consultation Forum (in principle)
Background papers	HRA Reform consultation documents available from the Department of Communities and Local Government (CLG) website at – http://www.communities.gov.uk/housing/decenthomes/councilhousingfinance/housingfinancereview/ DRAFT HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN - Report to Cabinet on 17 January 2012
Recommendations	THAT POLICY DEVELOPMENT GROUP CONSIDER THE DRAFT HRA BUSINESS PLAN, AND PUT FORWARD ANY COMMENTS THEY WISH TO BE CONSIDERED AS PART OF THE CONSULTATION PROCESS.

1. BACKGROUND

- 1.1 Housing Revenue Account (HRA) Reform is one of the key features of the new Localism Act. The current national housing subsidy system is being replaced with a new self financing regime from April 2012, which will see local Councils that still own their housing stock take increased responsibility for the funding arrangements.
- 1.2 The former housing subsidy system redistributed money on a national basis between Councils through positive and negative subsidy payments to and from a national subsidy pool. Positive subsidy was paid to Councils who did not raise sufficient funds from their rent to meet their outgoings. Negative subsidy was paid by Councils who were assessed as having more money available than they needed to meet their outgoings. The entire process was driven by a notional assessment of the financial position of each Council, which took into account their

historic debt situation, rent levels, and predicted expenditure on management, maintenance, and improvement of their housing stock.

- 1.3 North West Leicestershire has in recent years been a net payer of significant negative subsidy, with the last 5 years amounts detailed in Table 1 below.

Table 1

Housing Revenue Account - Negative Subsidy Payments to Government 06/07 to 11/12*

Year	Negative Subsidy Payments
2011/12 (budget)	£4.58m
2010/11	£3.81m
2009/10	£3.64m
2008/09	£4.40m
2007/08	£3.55m
2006/07	£3.40m

*Source – Housing Revenue Account Final Accounts

- 1.4 This system has in recent years become less justifiable, as the number of negative subsidy paying authorities has increased and the positive subsidy recipients decreased, leaving a net surplus on the national subsidy system account.
- 1.5 Over the last 5 years, leading housing professionals have been working with Government to develop a new financial regime which has become known as HRA self financing, with the process of introducing these new arrangements being known as HRA reform. This will operate by pooling then immediately reallocating the national housing debt within the old subsidy system between all the remaining Councils with a housing stock.
- 1.6 As a result of this reallocation, most Councils are required to make a one-off payment to Government at the commencement of the new system, and in return for this there will no longer be a need for any positive or negative subsidy payments, as each Council will have to manage its debt using rental income, and will become self financing.

- 1.7 The debt reallocation process has been developed over the last 12 months, and the provisional amount North West Leicestershire District Council will be required to pay is £77.224 million. The payment is required from us on the 28th March 2012, with the new self financing arrangements becoming effective from 2nd April 2012. This is not our total level of debt, as we already have £3.335 million which we will be keeping, so our total opening debt will be £80.559 million.
- 1.8 Under the new self financing arrangements the funding previously used to pay negative subsidy is available to service the new debt, with any surplus available for investment in developing better services and improvement to tenants homes.
- 1.9 Notification of these opening debt arrangements has been through the Housing Subsidy System determinations. The “Draft” determination was issued in mid November 2011, and the “Final” determination is anticipated by the end of January 2012. All the preparations referred to in this report are based on the “Draft” determination, and therefore could change when the final determination is received.
- 1.10 An additional feature of the new arrangements is the concept of a “debt cap”. This is the maximum level of indebtedness the Council can incur within its HRA Business Plan. Our draft debt cap has been set at £90.7million. The difference between this debt cap and our opening debt of £77.224 million is known as our “headroom”. This refers to the unallocated amount of capacity for additional to borrow that is available to us as part of the new self financing arrangements, which for us will be £10.141m.
- 1.11 The headline figures for our self financing settlement are summarised in Table 2 below.

Table 2

North West Leicestershire District Council – HRA Self Financing Settlement*

Description	Amount
Existing Debt	£3.335m
New Debt	£77.224m
Total Debt	£80.559m
Debt Cap	£90.700m
Debt Headroom	£10.141m

*Source – Draft HRA subsidy determination 2012/13.

2. THE ROLE AND PURPOSE OF THE BUSINESS PLAN

- 2.1 The HRA Business Plan is a critical document within the new self financing regime as it will provide the service and financial planning framework for the Councils landlord activities over the next 30 years.
- 2.2 The draft plan is attached as Appendix 1. Work is still ongoing in a number of areas to complete the plan, as comprehensive information is not yet available. The draft plan has been noted accordingly and will be updated as soon as this information is available.
- 2.3 At the heart of the Business Plan is a financial model, which uses existing budget information and a range of assumptions about rent increases, interest and inflation rates, and other factors to predict the financial position of the Councils landlord activities for the next 30 years.
- 2.4 The plan serves a wide range of purposes -
- Management of the considerable risks associated with self financing
 - Identify key actions and improvements for the future
 - Provide a planning framework for the delivery of services
 - Model the future sources and uses of funding employed within the landlord account
 - To examine the impact of changes in our assumptions on the long term viability of the plan
- 2.5 Although the plan is complex, it will be produced in a number of different versions to make it accessible to different audiences.

3. KEY OUTPUTS FROM THE PLAN

- 3.1 One of the key roles of the plan is to provide an indication of the financial stability of the HRA, and to explain how we intend to fund the continued improvement of tenants' homes.
- 3.2 In summary, the key outputs from the draft plan are -
- The plan is indicating a sustainable long term future for the Councils landlord activities for the next 30 years in terms of revenue (day to day expenses) and capital (improvements) funding.
 - It indicates that we can continue to improve tenants' homes to the current agreed standard and ensure they remain at that standard over the life time of the plan.
 - To establish HRA Self Financing we will need to borrow £77.224 million which has to be paid to the Government on 28th March 2012.
 - The 2012/13 average rent increase will be 7.45%, with subsequent years increases estimated to be at least 3.5%.
 - Details of our Treasury Strategy are still under discussion with our treasury advisors (who are Arlingclose, one of the market leading advisors), and we anticipate recommending a portfolio of loans of varying maturity dates obtained from the Public Works Loan Board (PWLB).

- As a direct result of HRA Reform the annual funding available for improvement works will increase from £2.71 million in 2011/12 to £3.99 million in 2012/13. This increase in funding is predicted to be sustained and increased throughout the 30 year life of plan.
- With effect from 2nd April 2012, we will have unallocated additional borrowing capacity of £10.14 million should we choose to access it. This is currently not committed within the plan and provides us with some contingency capacity against any unplanned liabilities/costs.
- The Cash Flow Forecast on the HRA is positive for the initial period of the plan, followed by a short period of small deficit, leading to a longer term positive overall position. To provide the funding needed for the deficit period, the current £1.5 million working balance on the HRA will need to be increased and maintained in the early years of the plan.
- The Capital Financing Requirement (CFR) which illustrates the amount of investment that we need to fund from borrowing is predicted to be zero by year 23 of the 30 year plan. This means we could repay all debt by year 23 if that was our Treasury Strategy objective. It is likely we will retain some level of debt throughout the plan period to allow us to take advantage of current low interest rates over an extended period.
- Modelling of various scenarios relating to changes in Right To Buy levels, changes in interest rates and changes in inflation rates have illustrated the sensitivity of the plan to these factors, and indicative responses are currently being developed.

4. OTHER DECISIONS REQUIRED TO DELIVER HRA REFORM

4.1 In order to effectively implement the Business Plan a number of decisions are required -

- Approval of the 2012/13 rent increase
- Approval of the 2012/13 HRA budget and Capital Programme
- Approval of the Treasury Management strategy that will inform our borrowing decisions related to the £77.224 million payment required.

4.2 As a result of the timing of this years subsidy notification from Government (end of January), these three decisions will be considered by Cabinet and Full Council in February.

4.3 Approval of the Final HRA Business Plan will be through Cabinet and Full Council in March 2012.

5. THE CONSULTATION PROCESS AND TIMETABLE

5.1 The Draft HRA Subsidy determination was received in late November 2011 and the Draft Business Plan has been prepared based on this. The Final HRA Subsidy Determination, which will confirm the opening level of debt and rent increase amount will not be available till 30th January 2012 and it is possible that the plan will have to be amended to reflect any changes made.

5.2 It is anticipated that we will be securing the loan funding required from the Public Works Loan Board, as very competitive interest rate discounts have been offered just for the implementation of HRA Reform. In order to secure these rates, an application for funding can

only be made on the 26th March 2012 for payment on the settlement date of the 28th March 2012. As Full Council is on the 27th March 2012, this will be too late to approve the borrowing decision, so it is being incorporated into the HRA Budget and Rent Increase report which will be considered at Full Council on the 23rd February 2012.

5.3 There will be three phases to the decision making process with the proposed timetable as follows -

Phase 1 - Approval of the Draft Business Plan

- 17th January 2012 Cabinet
- 31st January 2012 Policy and Development Group

Phase 2 - Approval of the HRA Budget, Rent Increase and Borrowing Strategy

- 7th February 2012 Cabinet
- 23rd February 2012 Full Council

Phase 3 - Approval of the Final Business Plan

- 13th March 2012 Cabinet
- 27th March 2012 Full Council

Key Milestone dates

- 26th March 2012 PWLB loan application date
- 28th March 2012 Settlement date for payments to be made to Government
- 2nd April 2012 HRA Reform "Go live" date

5.4 Consultation with internal and external stakeholders about the draft plan will commence once the draft plan is adopted, and will include both formal and informal processes, as well as publications and electronic methods, including use of social media.

6. CONCLUSION

6.1 HRA Reform represents the most significant change in the arrangements for funding Local Authority Housing in a generation. It will end the national housing subsidy system, through which we were required to pay over £4 million per annum of tenants rent into a national pool. In the future all tenants rent will be retained locally to be spent on providing services and carrying out improvements to their homes. The HRA Business Plan will provide the service and financial framework for the operation of the Councils landlord service for the foreseeable future.

DELIVERING A HIGH QUALITY VALUE FOR MONEY HOUSING SERVICE

DRAFT HOUSING REVENUE ACCOUNT BUSINESS PLAN

SUMMARY VERSION

**NORTH WEST LEICESTERSHIRE
DISTRICT COUNCIL**

CONTENTS

1 FOREWORDS

- 1.1 Foreword from Councillor Roger Bayliss - Housing and Customer Services Portfolio holder
- 1.2 Foreword from Christine Fisher, Chief Executive NWLDC
- 1.3 Foreword from Mr Bob Dawe – Chair of North West Leicestershire Tenants and Leaseholders Consultation Forum

2 THE PURPOSE OF THE BUSINESS PLAN

- 2.1 The Role of the Plan
- 2.2 Versions of the Plan

3 THE WIDER ENVIRONMENT IN WHICH THIS PLAN IS TO BE DELIVERED

- 3.1 The Environment

4 HOW THIS PLAN LINKS TO OTHER DOCUMENTS

- 4.1 Links
- 4.2 Other Linked Documents

5 RESIDENT INVOLVEMENT

- 5.1 An Introduction to Resident Involvement
- 5.2 Menu of Involvement Options

6 THE HOUSING STOCK AND OUR CURRENT PERFORMANCE AS A LANDLORD

- 6.1 The Overall Landlord Service
- 6.2 Housing Management Team
- 6.3 Repairs and Improvements Team
- 6.4 Older Persons Team
- 6.5 Performance and Business Support Team
- 6.6 Performance management
- 6.7 Use of Benchmarking

7 BRIEF HISTORY OF THE COUNCIL AS A LANDLORD

- 7.1 Number of Properties
- 7.2 Housing Inspection
- 7.3 Option Appraisal
- 7.4 Stock Transfer
- 7.5 Local Improvement Standard

8 IMPROVING THE QUALITY OF TENANTS HOMES

- 8.1 Decent Homes Backlog Funding
- 8.2 The Housing Planned Improvement Programme 2009/10 to 2011/12
- 8.3 The Decent Homes Improvement Programme (DHIP) 2012/13 to 2014/15
- 8.5 Use of Local Contractors
- 8.4 Delivering the DHIP Programme

9 ASSET MANAGEMENT

- 9.1 What is Asset Management?
- 9.2 The Stock Condition Survey
- 9.3 Houses, Bungalows and Flats
- 9.4 Sheltered Housing Schemes
- 9.5 Garages and Hard-standings
- 9.6 Approach to Disposals/Change of Use
- 9.7 Green and Decent Homes
- 9.8 Our Existing Commitment to the Green Agenda
- 9.9 Four Stage Approach to Developing our Green and Decent Homes Strategy

10 THE BUSINESS PLAN FINANCIAL MODEL

- 10.1 An overview of the Financial Model
- 10.2 HRA Revenue Income
- 10.3 HRA Revenue Expenditure
- 10.4 Capital Income
- 10.5 Capital Expenditure
- 10.6 Outputs from the Financial Model
- 10.7 Cash Flow Forecast Chart
- 10.8 Available Capital Against Capital Required
- 10.9 Level of Outstanding Debt
- 10.10 Availability of Loan Funding Against Borrowing Required to Fund Improvements

11 TREASURY MANAGEMENT

- 11.1 An overview of Treasury Management
- 11.2 Dealing with Existing Debt
- 11.4 Debt repayment options
- 11.3 Potential Sources of Funding

12 GOVERNANCE ARRANGEMENTS FOR THE BUSINESS PLAN

- 12.1 An Introduction to the Governance Arrangements
- 12.2 Approving the Business Plan
- 12.3 Resident Involvement in the Business Plan
- 12.4 Reviewing and updating the Plan

13 IDENTIFYING AND MANAGING RISKS

- 13.1 The Corporate Approach to Risk Management
- 13.2 Key risks

14 OUR ACTION PLAN FOR THE FUTURE

- 14.1 The action plan is still under development and will be circulated as soon as it is available.

15 GLOSSARY

- 15.1 Key Terms Used in the Plan

16 APPENDICES

- 16.1 Appendices being compiled

North West Leicestershire District Council

DELIVERING A HIGH QUALITY AND VALUE FOR MONEY HOUSING SERVICE

Summary Version of Draft Housing Business Plan

1 FOREWORDS

1.1 Foreword from Councillor Roger Bayliss - Housing and Customer Services Portfolio holder

It gives me great pleasure to introduce one of the most important documents the housing service that North West Leicestershire District Council has ever produced. This 30 year Housing Business Plan will provide us with a rock solid foundation to run the housing service, for the benefit of current and future generations of tenants. Clearly the plan will need to develop and change over the years ahead as we face new challenges, and these inevitable changes will be able to be addressed with real confidence, knowing our decisions will be based on a detailed knowledge and understanding of our business as a landlord.

I would particularly like to thank the many Tenants Representatives who have dedicated countless hours on a voluntary basis to help create this Plan and the associated supporting documents. They have worked tirelessly with officers to improve the housing service for the benefit of all their fellow tenants.

I hope you will find the plan interesting and informative.

Roger Bayliss
Housing and Customer Services Portfolio holder

1.2 Foreword from Christine Fisher, Chief Executive NWLDC

Since joining North West Leicestershire in 2004, I have seen many significant changes in the way the Council provides its services. This change has been particularly marked within Housing with this new Business Plan capturing the improving quality of the service we now offer our tenants very clearly.

Looking forward, producing any plan to cover a 30 year period will always be full of challenges, and this is best illustrated by considering that 30 years ago we were in 1981. Who could have accurately predicted all the changes that have affected our lives over the period of time since then? The Business Plan provides a guide we can continually refer to as we face the challenges of the future, to ensure we are still on course to continue to improve service quality and offer value for money, both of which are so important to us.

It has been a pleasure to lead such a dedicated and hard working group of officers to deliver the significant improvements we have achieved so far in housing, and I am confident the Council will go from strength to strength as a landlord, with this Plan forming a vital foundation for our future successes.

Christine E Fisher
Chief Executive

1.3 Foreword from Mr Bob Dawe – Chair of North West Leicestershire Tenants and Leaseholders Consultation Forum

On behalf of the tenants and leaseholders of North West Leicestershire District Council I welcome the opportunity to introduce this new Housing Business Plan, which will be such an important part of the future for all of us.

We have seen the level of Resident Involvement in the housing service develop and grow in recent years, and we would like to see even more opportunities in the future. This Business Plan outlines how this development can happen and is a very important document for the long term future of service to all tenants and leaseholders within the District. We are always looking for new faces to join the various groups and projects tenants are involved in, and if you would like to get involved please contact either myself or the Resident Involvement Officers of the Council, and I can promise you a warm welcome however you choose to contribute to making services better.

I hope I can speak on behalf of all the active tenants and leaseholders of the District in acknowledging the hard work and dedication of the housing team and saying that we are looking forward to working with Officers and Councillors to do the best job we all can for the good of tenants and leaseholders of North West Leicestershire.

Bob Dawe
Chair – North West Leicestershire Tenants and Leaseholders Consultation Forum

2 THE PURPOSE OF THE BUSINESS PLAN

2.1 The Role of the Plan -This Housing Business Plan will provide a service and financial planning framework to guide us in providing services to tenants over the next 30 years. It is being introduced as part of our response to the new self financing regulations for Councils landlord activities which start in April 2012.

2.2 Versions of the Plan - There will be three versions of the plan offering the reader different levels of detail, which will be the Full, Summary and Highlight versions.

All versions will be made available on the Councils website, and can be translated or made available in larger font sizes by request.

3 THE WIDER ENVIRONMENT IN WHICH THIS PLAN IS TO BE DELIVERED

3.1 The Environment - We live in a rapidly changing world, and this section of the plan captures some of the key issues we are working with, through a PEST and SWOT analysis of the environment. These confirm that there are a wide range of factors which will affect the delivery of our business plan, and we will develop appropriate responses to them. Copies of the PEST and SWOT analysis are available in the Full Version of the Business Plan on the Council website at www.nwleicestershire.gov.uk.

4 HOW THIS PLAN LINKS TO OTHER DOCUMENTS

4.1 Links - There are a wide range of documents produced by the Council and our partners, which the Business Plan has links with. Making sure all these documents link together is very important, as it means we are all working towards the same goals and targets. The Council Delivery Plan is the key linked document as the housing service is currently delivered from within the Corporate service framework of the Council, so needs to be as integrated as possible to maximise the benefits.

Council Delivery Plan – this plan is updated annually and is produced by the Council to explain our priorities and key actions for the years ahead.

With respect to the Council's four priorities for 2011/12, the Housing Service links to their delivery in a number of ways

- **Value For Money**
 - Delivering efficiency savings as part of the Improvement Programme
 - Following the principles of our Value For Money Strategy in all our decisions
 - Embedding a Value For Money culture within the service
- **Pride in Your Community**
 - Supporting and encouraging Resident Involvement
 - Improving the quality of tenants homes throughout the District
- **Improving Town Centres**
 - Supporting the review of Town Centre CCTV monitoring
- **Green Footprints**
 - Purchasing materials for the repairs service from sustainable sources
 - Using environmentally efficient materials for the improvement programme
 - Monitoring and managing the carbon footprint of contractors engaged to complete works on our behalf
 - Recycling as much building waste as possible
 - Developing an Eco Strategy as a priority for investment after 2015

https://www.nwleics.gov.uk/pages/files/documents/view_the_council_delivery_plan_for_201112/NWLDC_Council%20Delivery%20Plan%2011-12%20version%2010.pdf

These priorities are the subject of annual review and any alterations will be reflected in revised versions of this plan.

4.2 Other Linked Documents – whilst the Council Delivery Plan is the key document that this plan links to, there are also a range of other plans and documents that it must work in partnership with. These include the following -

- **NWLDC Housing Strategy**
http://www.nwleics.gov.uk/files/documents/housing_strategy_2011_2015/Draft%20NWL%20housing%20strategy%2013062011.pdf
- **Asset Management Strategy**
Copy available by email from housing@nwleicestershire.gov.uk
- **Local Offers**
http://www.nwleics.gov.uk/files/documents/intouch_special_edition1/In%20Touch%20Special%20Edition_Draft8%20A2.pdf
- **Tenant Compact**
http://www.nwleics.gov.uk/files/documents/tenant_participation_compact/compact_A4_pages_version3_021008_%283%29_final_prontaprint.pdf.pdf
- **Leicestershire Housing and Support Strategy**
http://www.leics.gov.uk/housing_related_support_strategy.pdf
- **Housing Stock Condition Survey**
Copy available by email from housing@nwleicestershire.gov.uk

5 RESIDENT INVOLVEMENT

5.1 An Introduction to Resident Involvement - We aim to provide a wide range of different opportunities for tenants and leaseholders to get involved in the service. This is in the form of a menu which is detailed in the Tenants Compact.

We are always looking for new ways to encourage more Residents to get involved, and will continue to support new ideas and innovations whenever they are identified.

5.2 Menu of Involvement Options - Our current menu of involvement offers the following range of options

- Tenants on Recruitment Panels
- Mystery Shoppers
- Void Inspectors
- "Intouch" tenants newsletter
- Tenants Representatives on Project Groups
- Formal structure of Tenants and Residents Associations (TARA's)
- Settling in visits
- Tenant and Leaseholder Consultation Forum (TLCF)
- Working Groups
- Task and Finish Groups
- Tenants Talkback Panel
- Local offers
- Tenant Compact
- Getting More Residents Involved (Capacity Building)
- Use of Social Media
- Tenants Scrutiny

6 THE HOUSING STOCK AND OUR CURRENT PERFORMANCE AS A LANDLORD

6.1 The Overall Landlord Service is provided for tenants through four teams of officers each specialising in different parts of the housing service.

6.2 Housing Management Team - every tenant has a legal contract with the Council, called a tenancy agreement. The role of housing management is to create new tenancies, make sure that existing tenants respect their responsibilities and bring tenancies to an end, all in a customer focused manner.

We use Generic Housing Management to organise the service, which means that tenants have one dedicated housing officer for their address, who is the link into other services we provide.

Choice Based Lettings is currently a separate team within the housing management service, responsible for the process of advertising vacant properties to new tenants, then dealing with the subsequent viewing and sign up processes for the successful applicant.

Resident Involvement also forms part of this team, with two dedicated officers responsible for maintaining our relationship with existing active tenants and tenants groups, as well as developing new opportunities.

6.3 Repairs and Improvements Team - Tenants homes need looking after to make sure they are safe, warm and comfortable, which means we need to make sure all the parts of the house work as they should. We also need to make sure parts of the house that wear out are replaced before they break down.

This team look after three key areas

- **Responsive repairs** – when tenants report a repair, we place it into one of three categories and then complete the required work accordingly.
- **Planned and Cyclical programmes** – include the servicing of gas and solid fuel heating systems and the external painting programme.
- **Improvements** – includes the improvement programme and extra work we complete for tenants, like Aids and Adaptations, improving some void properties and communal area improvements.

In recent years the Repairs and Improvement teams have seen significant changes in the way they operate and they are now delivering extremely good levels of customer satisfaction. Recent changes include –

- **Relocation** - from the former Deport on Highfield Street, Coalville.
- **Modern procurement of supplies** – following the closure of the Stores.
- **Increasing use of van stocks** – so parts are available on site when needed.
- **Appointments system** – for most repairs, with a very high proportion kept.
- **Apprentices** – three trade apprentices, and a trainee surveyor.

6.4 Older Persons Team - As people get older, some of them need some support. We provide this support in partnership with the County Council in the form of a Support Officer service. Through this service we provide 24hour per day 7 days per

week service through a Control Centre which is based at the Councils main offices in Coalville. This service is very flexible. We can visit people every day if they need it, or not visit at all if people don't need visits.








6.5 Performance and Business Support Team – this team provide support to the other teams to ensure that the other parts of the housing service operate as effectively as possible. There are four service areas -




- **Rent accounting** – ensuring we charge the right tenants the right rents for their homes and that the Direct Debit system is operated efficiently. We have over 218,000 rent transactions each year to manage.
- **Performance management** – this team provide both Corporate and Service level support, by coordinating the annual service Planning process, and collating monthly and quarterly performance information, as well as providing Project Management support to the organisation.
- **Financial management** – management accountancy of the Housing Revenue Account is a critical part of the business planning process, and the capacity and expertise needed to do this can be found in this team
- **Customer Services** – a combined housing and corporate team provide all front of house telephone and public contact services on behalf of the Council.

6.6 Performance management - This is one of our key strengths as a service. We monitor our performance in various ways using both output measures (how well we are doing things) and increasingly focussing on outcome (measuring the views of people who receive the services).

Following extensive discussions with tenants, we developed a Tenants Top Ten (TTT) performance indicators for the Housing Service. These are reported monthly to the tenants performance and finance working groups and used throughout our publicity material to illustrate our performance in the areas that matter most to tenants. The table below illustrates our 2010/11 performance against these indicators.

Tenants Top Ten Performance Indicators - 2010/11 Performance

Performance Indicator	Service Area	Target	Actual	2010/ 11 Status
All new customers to have a support plan in place within 2 weeks of moving in	Older Persons Services	95%	100%	
Quality of call response by Control Centre	Performance & Business Support	96%	99%	
Amount of rent loss through properties becoming vacant	Housing Management	£102,000	£70,312	
Former Tenant arrears collection rate - monetary value at month end	Housing Management	£18,000	£23,117	
Monetary amount written off (rents only)	Housing Management	£15,000	£8,706	
Total arrears (£) at end of month	Housing Management	£299,388	£218,558	
% of customers who rated the overall satisfaction of the Housing Response	Housing Management	85%	97%	

team (integration of Housing Reception, Control Centre & Repairs) as good/satisfied or above.				
% of Emergency repairs completed on time	Repairs & Maintenance	98%	99.2%	
Average number of working days to resolve stage 1 complaints (upon receipt within Housing)	Performance & Business Support	10 days	7 days	
% of Routine repairs completed on time,	Repairs & Maintenance	93.7%	99.70%	



Target met



Target not met

6.7 Use of Benchmarking - We also make extensive use of “benchmarking” which is a way of us comparing our costs and performance with other similar housing organisations. These comparisons allow us to see which areas we are strongest in, and also see clearly where we still need to focus our improvement plans. This process is completed quarterly (for some indicators) and annually for cost data through the market leading Housing Benchmarking organisations Housemark.

7 BRIEF HISTORY OF THE COUNCIL AS A LANDLORD

7.1 Number of Properties - The number of Council owned homes in the District has reduced by over 20% in the last 15 years from 5,418 properties in 1995/96 to 4,356 in 2010/11.

7.2 Housing Inspection - An inspection of the Housing Services in 2006 by the Audit Commission identified many shortcomings, and we responded positively to this challenge by achieving a one star with promising prospects outcome in our re-inspection in 2008.

7.3 Option Appraisal - In 2004/05 we completed an Option Appraisal to decide the long term strategic future for the Council as a landlord. This concluded that without the funds needed to improve all tenants homes meet the Decent Homes standard we needed to consider a stock transfer.

7.4 Stock Transfer - In 2008 we completed a test of opinion with tenants about a transfer of their homes to a Housing Association. This proposal was not supported, with 40% of tenants voting and 90% of them wishing to remain with the Council.

7.5 Local Improvement Standard - After this decision we consulted tenants about how we were to spend the limited improvement funding available, and developed a local priorities which were used to decide which improvements to carry out to tenants' homes. These priorities were

1. **Health and Safety works** (Rewiring etc.)
2. **External fabric** (Door, window and roof replacement)
3. **Heating and Insulation** (Boiler replacement, loft and wall insulation)
4. **Modern facilities** (Kitchens, bathrooms, off street parking, fences and footpaths etc.)

This standard was used between 2009/10 and 2011/12, being replaced for 2012/13 with the Decent Homes Standard.

8 IMPROVING THE QUALITY OF TENANTS HOMES

8.1 Decent Homes Backlog Funding - Improving the quality of tenants homes to meet the Decent Homes standard is a key priority for us. We plan to achieve this for all homes by 2015, using £20.75 million of Government grant funding, together with our own funds.

The backlog funding awarded is

- 2012/13 – £3.69 million
- 2013/14 - £8.50 million*
- 2014/15 - £8.56 million*

**The 2013/14 and 2014/15 allocations are currently provisional, and will only be confirmed after successful delivery of year 1 of the programme, and confirmation of the available funding following the midyear Comprehensive Spending Review (CSR) review being undertaken in November 2011.*

8.2 The Housing Planned Improvement Programme 2009/10 to 2011/12 - Prior to the award of Decent Homes Backlog funding, we had been carrying out improvements by following a local improvements policy agreed with tenants following the decision not to proceed with the stock transfer. This significant investments in tenants homes was delivered through the use of contractors we have secured through framework agreement. We achieved excellent Value For Money and tenant satisfaction as a result of this method of delivering the required improvements. Some of these successes are detailed in the table below -

Improvements Delivered - 2010/11 Housing Planned Improvement Programme

• Doors –	Planned =	180 doors @ £600 each
	Actual =	402 doors @ £487 each.
• Windows –	Planned =	100 properties @ £3,250 each
	Actual =	198 properties @ £2,206 each
• Roofs –	Planned =	52 properties @ £6,430 each
	Actual =	73 properties @ £4,302 each
• Electrics –	Higher number of full rewires than planned within budget	

* Source – VFM review of 2010/11 Housing Planned Improvement Programme by Savills (Property Consultants)

In terms of tenant satisfaction levels with the completed works the table below captures the results obtained for the 2009/10 programme. The “Benchmark Average” figures were supplied by our consultant Property Surveyors, Savills, when completing a value for money review of the programme after it was completed.

Table 3. Contractors Performance 2009/10 HPIP programme

KPI	Customer Satisfaction	Benchmark Average	Contractor	Performance	Variance
1	Electrical	70%	Dodds	70.58%	+0.58%
2	Roofing	75%	Apollo	66.66%*	-8.34%
3	Windows	95%	SBP Pastal	100%	+5%
4	Doors	95%	SBP Permador	96.12%	+1.12%

* Satisfaction levels with this contract were adversely affected by the unprecedented winter weather experienced whilst works were underway.

We are also continuing to improve the housing repairs service by investing in our staff and state of the art technology, such as a new fleet of vans and mobile working

8.3 The Decent Homes Improvement Programme (DHIP) 2012/13 to 2014/15 – the programme of works currently being developed will ensure that all tenants' homes meet the Decent Homes Standard by 2015 (assuming all the required Backlog Funding Grant funds are received). The detailed street by street specification of works to be carried out is being extracted from our Asset Management system and is expected to be completed early in 2012. An overview of the required works has been completed and the details are shown in the table below.

DHIP DELIVERY PROGRAMME 2012-15*

Programmed Delivery of Decent Homes Works By Ward

Ward	PROGRAMME PROFILE BY COMPONENT													Programme Total	
	No. Properties in ward	Bathroom	Boiler	Central Heating System	Chimneys	External Doors (FRONT)	External Doors (BACK)	External Wall Finishes	Flat Entrance Doors	Kitchen	Roof Covering (pitched)	Roof Covering (flat)	Windows		Wiring
Appleby	88	32	26	55	49	0	50	41	10	44	19	20	5	19	370
Ashby Holywell	145	87	6	34	64	0	73	29	31	73	16	38	1	14	466
Ashby Ivanhoe	395	152	40	75	149	0	141	181	0	134	78	106	2	131	1189
Bardon	10	2	1	0	1	0	1	0	0	2	0	1	0	2	10
Breedon	70	35	36	31	30	0	32	30	0	39	22	4	4	31	294
C. Donington	332	176	91	86	106	0	174	169	24	180	61	7	1	168	1243
Coalville	187	101	27	62	6	0	58	3	45	85	1	60	5	96	549
Greenhill	797	272	265	242	249	0	334	297	26	340	190	83	2	297	2597
Hugglescote	181	61	30	44	15	0	65	55	34	64	1	2	0	22	393
Ibstock & Heather	413	128	101	153	123	0	196	77	14	157	36	77	2	101	1165
Kegworth & Whatton	167	77	58	63	24	0	104	87	4	81	2	61	10	94	665
Measham	344	90	136	88	78	0	87	99	21	126	45	58	12	18	858
Moira	350	122	130	111	82	0	145	94	30	110	22	83	2	25	956
Oakthorpe & Don.	186	76	95	84	78	0	74	47	28	93	25	62	11	81	754
Ravenstone & Pack.	74	34	20	25	49	0	10	13	3	37	24	15	0	20	250
Snibston	42	9	17	3	36	0	14	39	0	20	29	0	0	1	168
Thringstone	252	62	87	109	23	0	76	30	5	66	5	45	0	39	547
Valley	166	87	61	95	69	0	61	59	9	86	31	57	5	33	653
Whitwick	282	145	60	92	60	0	70	149	6	118	3	77	0	101	881
	4481	1748	1287	1452	1291	0	1765	1499	290	1855	610	856	62	1293	14008

*As at December 2011 –extracted from PIMSS Asset Management System

8.4 Delivering the DHIP Programme – there are a number of options available to us to deliver the Decent Homes Improvement Programme. These include –

- **Partnership with a neighbouring Council or other organisation** – we have not been able to identify a suitable partner organisation with an appropriately structured existing contract that would allow us to partner with them.
- **Open Formal Tender Procurement** – the traditional approach, which remains an option but has longer lead in times and set up costs.
- **Framework Agreement** – we have a successful track record of using framework agreements to deliver quality work, with high levels of tenant satisfaction at value for money rates.

We are currently evaluating these options to decide which one represents the most appropriate way forward for delivering the programme, and a decision is anticipated in January 2012.

8.5 Use of Local Contractors – in the current economic climate the level of investment in our tenants' homes offers an exciting opportunity to support the local economy. In partnership with our Legal and Procurement advisors we are seeking to maximise the opportunities for local firms to be involved in the delivery of the improvement programme, although we remain mindful of the need to demonstrate value for money and high quality work, and high levels of Tenants Satisfaction. Through a series of initiatives we will be developing a guide to assist local firms to access opportunities to work with the Council and also publicly promoting the award of significant contracts, so small and medium sized local suppliers and sub contractors can get in touch with them to explore the opportunities for working together.

9 ASSET MANAGEMENT

9.1 What is Asset Management? - Asset Management is a process used to inform decisions on how to spend limited funds on improving tenants homes. It does this by looking at the condition of all the various parts of our tenants' homes, and predicting when various parts will need to be replaced. Each part of the building is known as a component, so for example, the central heating boiler is a component, as is the roof.

As part of this process, we also consider whether the properties we are looking to invest in are still meeting a housing need, and consider the options for them if they are no longer required.

9.2 The Stock Condition Survey - We measure the condition of our tenants' homes through a stock condition survey. This involves some of homes being visited by a surveyor, who records the condition of each component of the property. These reports are used to assess when each part of the house needs replacing, using typical useable life as a guide. For example a central heating system should last 20 years, so if it is 5 years old when the survey is done, it will need replacing in 15 years time.

Accurate and easy to access information is critical to making good asset management decisions, so we are upgrading our asset management software system in 2010/11, and will be undertaking a new Stock Condition Survey in 2013/14.

To look at the key Asset Management challenges for different types of property in more detail -

9.3 Houses, Bungalows and Flats - For our houses flats and bungalows we are currently switching from the Local Improvement Standard to the Decent Homes standard to drive our programme of improvement works. Key areas of challenge for us are -

- Rural low demand properties
- High cost empty properties
- Properties that no longer meet a housing need.

In any of these circumstances we will consider the options for disposing of properties which are not considered to have a sustainable future, or are too expensive to improve or maintain economically.

9.4 Sheltered Housing Schemes – we have 14 sheltered housing schemes situated throughout the district, providing supported accommodation for Older People. These schemes typically have a shared communal room, often with laundry and kitchen facilities. Some are groups of independent bungalows, and flats, and others have access to each flat from a corridor. The properties in the schemes are typically small one bedroom flats, although we also have a number of schemes with considerable numbers of bedsit flats, where the living room and bedroom are combined. These are very unpopular with new residents and many are empty.

There are a number of key asset management issues to be addressed with our sheltered scheme buildings which include -

- Communal heating systems
- Lift replacement programme
- Upgrading of communal facilities
- Decommissioning of unpopular schemes

9.5 Garages and Hard-standings - Historically we have not invested in our garages and hard-standing as with limited funds available the priority has been to improve the quality of tenants homes.

It is anticipated that this process will result in all of our garage and hard-standing sites being placed into one of three categories -

- Maintain and improve
- New affordable housing
- Disposal for redevelopment.

When the category for each site has been established we will develop an improvement and disposal programme, which we anticipate will commence in 2013/14.

9.6 Approach to Disposals/Change of Use - If we identify that a property is no longer sustainable in its current form, there will be a number of options to be considered. These include -

- Alternative use
- Transfer to a Housing Association for improvement
- Demolition and sale of site
- Open market sale
- Out of Debit

The decision regarding which option to pursue will be taken having considered all the relevant factors, and undertaken appropriate levels of consultation with all interested parties.

9.7 Green and Decent Homes - Climate change is an acknowledged international concern, and as a responsible landlord we will have our role to play in addressing the challenges of this agenda. We take this extremely seriously and are anxious to play a leading role in exploring what is possible and practical in terms of retrofit green technologies (alteration to existing properties that make them more energy efficient).

9.8 Our ongoing Commitment to the Council's Green Footprints priority - We have already demonstrated our commitment to the Green Agenda in a number of ways including –

- Pilot scheme to transfer high cost voids to a Housing Association
- Green driver training
- Sustainable supply chain management
- Investment in improving the external fabric of tenants homes
- Central heating system upgrading programme

9.9 Four Stage Approach to Developing our Green and Decent Homes Strategy - There are four key elements to our future strategic approach to the challenges of climate change in the future, and these are -

Stage 1 - Engaging specialist advice and support

Stage 2 - Making existing homes as well insulated as possible

Stage 3 - Pilot study of new technologies – which is likely to include the following technologies

- **Alternative heating systems** – such as Air source heat pumps, Ground source heat pumps and Biomass boilers
- **LED communal lighting** – these offer much lower energy consumption for the same light output, but at a slightly higher bulb replacement cost.
- **Micro-generation** – wind turbines and other similar technologies may not have a great track record in commercial scale, but for some properties they may offer a cost effective way of reducing energy bills, and carbon outputs. Micro Combined Heat and Power (CHP) systems are becoming increasingly affordable, and offer a way of selling excess electricity generated back to the grid.
- **Grey water recycling** – rainwater harvesting technologies.
- **Composting** – provision of facilities and training/encouragement for tenants to compost green waste.
- **Passive solar heat capture and redistribution** – using existing technologies to capture solar gain and re-circulate it throughout properties.

- **Garden allotments** - Encouraging “grow your own” schemes to aid garden maintenance, which may include subsidised greenhouses, and/or support with soil preparation.
- **Solar panels** - either at a commercial scale using Feed In Tariffs (FIT) or individual, to provide power for appliances/lighting etc.
- **Passive solar hot water/heating** – through using either roof or garden mounted heat exchangers, which pre heat domestic water before it passes through the central heating boiler

Stage 4 - Developing a menu of green options for tenants as part of our post 2015/16 plans -This 4th strategic priority is the long term goal, in terms of guiding our longer term investment plans and delivering a range of options which will benefit every tenant, in allowing them access to Green and Decent Homes technologies that reducing their costs, whilst also being more environmentally sustainable.

10 THE BUSINESS PLAN FINANCIAL MODEL

10.1 An overview of the Financial Model - The financial model is at the heart of the Business Plan, and is a complex spreadsheet which predicts future income and expenditure (both revenue and capital) to allow future spending decisions to be modelled.

The model is made up of a combination of the current year’s budget, and a range of assumptions about the future, like interest rates, inflation, and other factors.

It also allows various “what if” situations to be modelled, so we can prepare a response to potentially changing situations in the future. Examples of this include variations in interest rates, inflation rates, and factors like rent increases and the level of Right To Buy sales.

The draft model currently shows a healthy long term future for the Councils landlord activities, if current assumptions are accurate.

We will have an additional £10.14 million to borrow if we need it.

We can afford to repay the £77.224 million in just over 20 years, well within the 30 year target repayment timetable.

Over the lifetime of the plan we will need to build up significant reserves of funding to meet predicted future investment needs in the later years.

The main areas of financial significance for the plan are -

10.2 HRA Revenue Income - The Housing Revenue Account will have a combined income of over £15million in 2012/13. This is received from the following sources -

- **Property rents** – weekly payments made by the tenants of properties and garages/hard-standings.
- **Service Charges** – charges made to tenants for services which only they receive, such as communal area lighting heating in flats. Payment of these charges is a requirement of the tenancy agreement.

- **Fees and Charges** - Fees and charges are payments made by tenants for services which they can choose to receive.
- **Interest income (Item 8)** - We receive interest income from short, medium and long term investments of surplus funds available to the Council.
- **Garages and Hard-standing Rents** – income from rents which are paid weekly
- **Shops** – we own 6 shops, and their rent is paid into the Housing Revenue Account
- **Caravan site** – we manage a caravan site in Appleby Magna owned by the Council and receive a small income for this.
- **Supporting People Grant** – income received from the County Council in return for us providing an Older Persons Support service.

10.3 HRA Revenue Expenditure - Principle areas of revenue expenditure are -

- **Repairs and maintenance** – repairing and maintaining tenants homes, both on a responsive and planned/cyclical basis
- **Housing Management** – the cost of landlord services
- **Major Repairs Allowance** – a transfer from the revenue account to the capital fund to provide improvements funding.
- **Debt financing** – servicing the cost of existing and new debts
- **Revenue Contributions to Capital Outlay (RCCO's)** – the voluntary transfer of any surplus on the revenue account into the Capital fund for use on improvements to tenants homes.

10.4 Capital Income – our Capital resources to carry out improvements are funded from a number of sources

- **Brought forward balances** – uncommitted funds from the previous year's programme
- **Capital receipts** – from the sale of HRA owned land. Property, or retained Right to Buy receipts. These are used a year in arrears to ensure robust financial planning can be undertaken.
- **Major Repairs Allowance** – a formula driven annual transfer of funds from the Housing Revenue Account. To be replaced with a depreciation charge over the next 5 years.
- **External Grant Income** – such as Decent Homes Backlog Funding

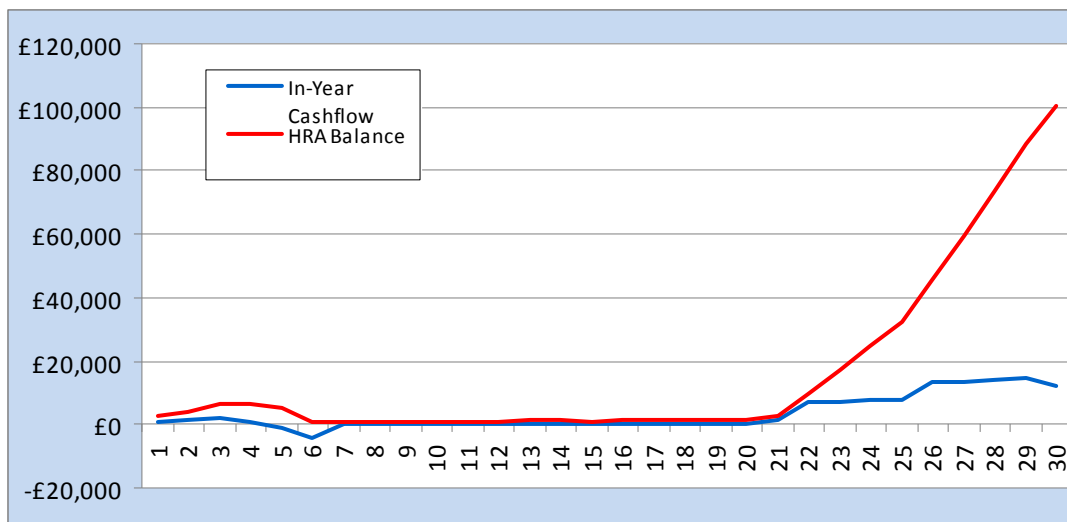
10.5 Capital Expenditure - The principle areas of Capital Expenditure are -

- **Aids and Adaptations** – following an assessment by an Occupational Therapist, we carry out alterations to tenants homes to make them more suitable for their disability.

- **Improvements Programme** – the main improvement programme for tenants homes. This is being reprofiled to focus on Decent Homes works from 2012/13.
- **Capitalised repair works** – when a repair is reported and the work required is extensive, we can pay for it from Capital funds, as long as the type of work qualifies for capitalisation.
- **Other one off projects** – such as replacement lifts in sheltered schemes, and replacement communal heating boilers.

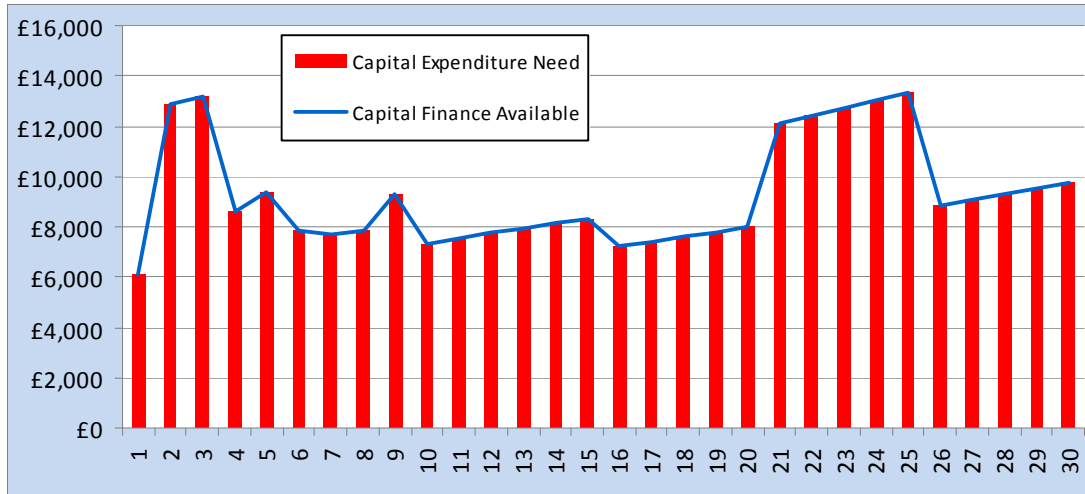
10.6 Outputs from the Financial Model – the model produces a number of outputs which can be used to manage the financial aspects of our housing service. The model looks at both revenue and capital funding streams from both an income and expenditure position. Key to interpreting the outputs, are a series of graphs

10.7 Cash Flow Forecast Chart – This illustrates the level of balances on the Housing Revenue Account each year over a 30 year period from 2012/13 to 2042/43



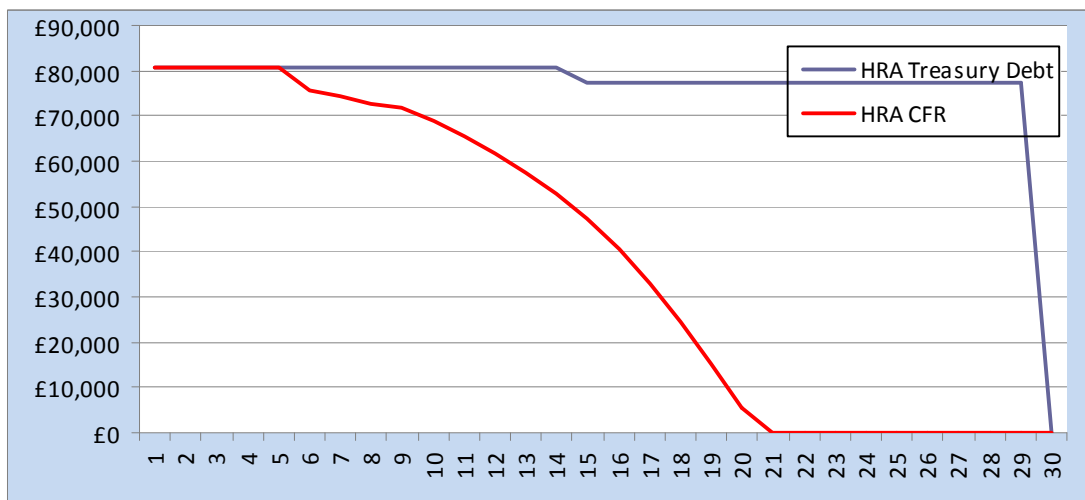
The graph illustrates that in the initial years of the Plan, we will need to generate a positive balance on the HRA, to cover a period of in year deficit in years 5 to 7. This deficit is caused by the need to make a transfer of funds to the capital account (known as a Revenue Contribution to Capital Outlay) to support the level of investment needed. The plan then illustrates a balanced position until year 21 (when we could repay our debts in full), which would then leave significant cash balances on the account, which could be used for investment purposes, without the need for further loan funding.

10.8 Available Capital Against Capital Required – this chart shows the amount of money we need, against the funding we have available for Capital Improvements to tenants homes.



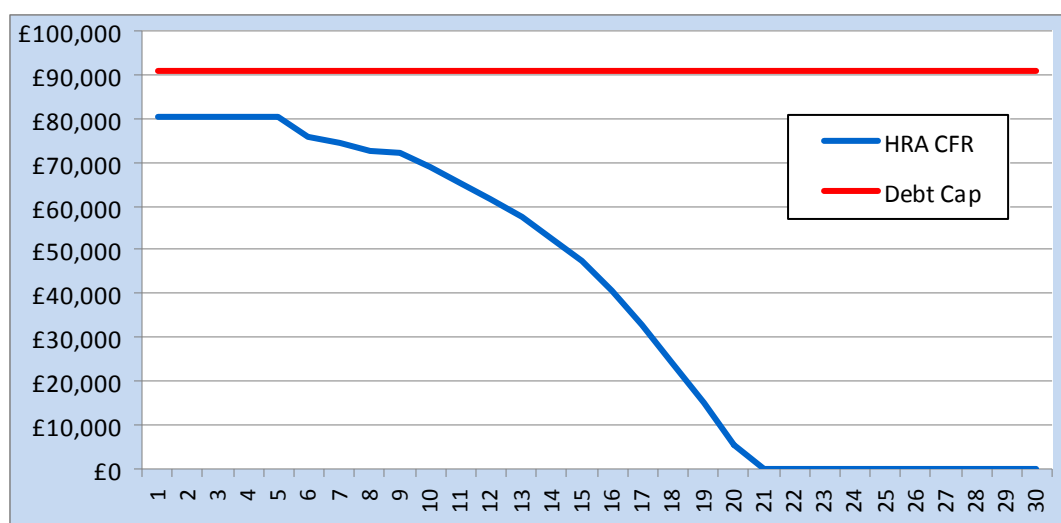
The bars indicate the annual level of funding required to carry out improvements identified by our Stock Condition Surveys and programmed into our Asset Management system. The Line indicates the available funding in that year. Based on our current assessment of future spending needs, our improvement programme for the next 30 years is fully funded.

10.9 Level of Outstanding Debt – this chart illustrates our total debt against our Capital Financing Requirement (CFR), which is the amount of our improvement funding we need to need to secure from borrowing.



The chart illustrates that our opening debt level, will be sustained in the early years of the Business Plan, with the ability to make repayments to reduce the principal sum borrowed commencing in year 5. We could then pay back all the funds borrowed by year 21 of the plan, although doing so would severely restrict our funding flexibility between years 5 and 21 of the plan. The Treasury debt line illustrates our anticipated debt repayment profile, in that the plan projections currently assume we will borrow on an interest only basis. The reduction in outstanding debt in year 15 relates to the maturity of an existing loan.

10.10 Availability of Loan Funding Against Borrowing Required to Fund Improvements – this graph illustrates the CFR (technical level of debt) against our debt cap.



The chart illustrates that even in the initial period of the plan we have access to an additional £10.1m of borrowing capacity should we need to access it. From year 5 onwards this notionally becomes a greater amount, although this is actually dependent upon our debt repayment approach as part of our Treasury Strategy. It means we have some flexibility to secure additional funds to meet unplanned investment needs, or can consider options such as building new Council homes after the initial period of the plan. It is important to note that retaining the flexibility of being able to access this additional loan funding is considered prudent given the currently unconfirmed status of our year 2 and 3 Decent Homes Backlog Funding grant.

11 TREASURY MANAGEMENT

11.1 An overview of Treasury Management - NWLDC will be required to make a one-off payment of £77.224m to Government in March 2012 which will be funded by borrowing the money. There are a number of ways of obtaining these funds, and we currently anticipate it will be borrowed from the Public Works Loan Board and repaid using future rental income. The most appropriate source and detailed terms for the loan or loans are currently being assessed, and we are exploring the costs and benefits of various repayment options.

The £77.224m will be our new debt as a result of HRA Reform, and we will also be carrying forward £3.35m of existing debt from the current subsidy system

There are a number of related decisions we also need to make about the detailed arrangements for the new self financing arrangements which include –

11.2 Dealing with Existing Debt - The arrangements for splitting our existing debts between the Housing Revenue Account and General Fund are currently under review. There are a number of options available which include

- **One debt pool model** – all existing and future debt is held centrally and charges/premiums and repayments are apportioned between the two accounts (General Fund and HRA)
- **Two debt pool model** – existing debt is retained in one pool and apportioned between the GF and HRA with new HRA debt held in a new pool.

These options have different advantages and disadvantages and these are currently being assessed with guidance from our Treasury Advisors, Arlingclose.

11.3 Potential Sources of Funding - from the following options

- **Public Works Loan Board** – effectively this is the Governments Bank, which provides low interest funding to Local Government.
- **Market Finance** – direct borrowing from Banks, Building Societies, or other financial institutions.
- **Bond Issue** – making a bond issue to the Bond Market to secure the required funding.
- **Loan from the General Fund** – will not provide all the funding but offers an opportunity to use surplus funds in the General Fund to support the HRA. This would be beneficial to both accounts if the interest rate the HRA could obtain elsewhere was above the level of investment income currently being generated by General Fund investments. However, in the current market as a result of the discounted rate offer from the PWLB, the interest rates do not make economic sense for either account. This may be a source of funding to be considered against in future years in the event of additional HRA borrowing being required.

11.4 Debt repayment options – as well as deciding where to obtain the loan funds from, we also need to decide the terms on which we will borrow, as we have a range of options, as detailed below.

- **Term of the Loan** – funding is available on repayment terms of between 1 and 50 years, although the interest rate payable varies with the loan period.
- **Repayment of interest only** – interest only repayment is cheaper, but requires a fund to be established to ultimately repay the debt when the loan matures.
- **Fixed or variable interest rates** – although rates are at a historically low level, there may still be a case for considering placing some of our debt on variable or tracker rates, which we will be exploring.

Discussions are currently underway with our Treasury Advisors, and the outcome of these discussions will be reported as soon as they are available, to allow the relevant strategic decisions to be taken.

Clearly different approaches to debt repayment will have an impact on the Business Plan, and as soon as our position is clarified the plan and associated financial model will be updated to reflect these decisions.

12 GOVERNANCE ARRANGEMENTS FOR THE BUSINESS PLAN

12.1 An Introduction to the Governance Arrangements - Having considered the various governance options available for the ongoing management of the Business

Plan, it will be incorporated into the existing democratic structure of the Council without the need for any additional specific formally constituted groups.

Political leadership will be through the Portfolio Holder for Housing and Customer Services, supported by the Portfolio Holder for Corporate Services (which includes Finance).

At Officer level the Chief Executive, Director of Services, Head of Legal and Support Services and Head of Finance will be key in terms of both their various statutory roles they perform, and also the need to ensure the plan links effectively to the broader strategies of the Council. On a day to day basis the Head of Housing and Customer Services will be the editor/owner of the Plan.

12.2 Approving the Business Plan – as a key strategic framework document it will need to be approved by Full Council. As part of this process it is envisaged that the annual updating of the plan will be a delegated power of Cabinet, with approval of the five yearly fundamental revisions of the overall plan to be undertaken at Full Council level.

12.3 Resident Involvement in the Business Plan - is obviously critical, and will be undertaken in a variety of ways. Key to this will be reflecting our Tenants Compact in terms of offering a broad range of options for Tenants and Leaseholders to be involved in the process.

Progress with delivering the Action Plan will be monitored as part of the Councils broader Performance Management regime, with the full involvement of Tenants, Members and Officers at appropriate levels.

12.4 Reviewing and updating the Plan - The Plan will be reviewed on an ongoing basis and changes made as needed. This will ensure that the Plan is always up to date with the latest information.

Each year we will formally review the Plan as part of the budget setting process. At this time we will revise the forward projections and examine the impact of what really happened in the previous year, compared to what the plan said would happen.

Every 5 years there will be a detailed review of the whole plan, which will look at all the assumptions made, and produce a new detailed 5 year Action Plan similar to the one attached to this version.

13 IDENTIFYING AND MANAGING RISKS

13.1 The Corporate Approach to Risk Management - A key role of the Plan is to effectively manage the risks associated with the Councils activities as a landlord. These risks fall into a number of categories -

Corporate – risks to the whole Council, which also impact on this plan

Service – specific risks which apply to the Councils landlord activities only.

As part of our Corporate response to risk management we have developed a Risk Management Strategy* which provides the framework within which all risks are dealt

with. The key risks identified in this plan will be incorporated into the relevant level of Corporate Risk Planning

* http://www.nwleics.gov.uk/files/documents/risk_management_strategy/Risk%20Management%20Strategy.doc

13.2 Key risks - There will clearly a wide range of risks associated with being a landlord over the next 30 years. Another important part of this plan is to identify and show how we will deal with this risks to make sure that if they occur, our plans can be adjusted to cope with them.

We score risks on the basis of their Likelihood (L) and Impact (I) on a scale of 1 to 4, and combine these to arrive at the score for the risk.

Mitigation is what we will do in response to the risk, and after this has been applied we rescore the risk to arrive at a mitigated score (MS)

Summary of HRA Business Plan Key Risks 2012/13

Risk Description	L	I	S	Mitigation	L	I	MS
Years 2 and 3 of Decent Homes Backlog Money not awarded, or reduced.	2	4	8	Ensure effective delivery of Year 1. Build positive relationship with HCA over progress. Develop "Plan B" to prioritise work in the event of reduced funding available. Seek to retain limited capacity within financial plan to fund additional works if required.	1	3	3
New debt added by Government	2	4	8	Ensure Govt aware of impact on plan of new debt. Ensure adequate flexibility in plan to finance if needed.	2	2	4
Significant change in property investment needs	1	4	4	Stock condition survey to be kept up to date Asset Management system to be kept at state of the art level	1	4	4
Increase in interest rates	3	4	12	Fix interest on all opening loans at current level	2	4	8
Increase in inflation rates	2	3	6	Fix material supply prices.	1	2	2
Changes in HB rules increases rent arrears	2	4	8	Prepare tenants for changes through newsletters etc. Review and strengthen recovery processes	2	2	4

Risks management will be the responsibility of the HRA Business Plan Working Group. Through this, risk will be kept under review and an annual "risk workshop" will be undertaken to ensure this area is kept up to date.

14 OUR ACTION PLAN FOR THE FUTURE

14.1 The action plan is still under development and will be circulated as soon as it is available.

15 GLOSSARY

15.1 Key Terms Used in the Plan

Asset Management – the process of deciding which properties to invest in and what work need completing to which properties.

Business Plan Financial Model – a spreadsheet model which uses the current budget and a series of assumptions about future expenditure, interest rates, inflation and other factors to predict the short, medium, and long term financial health of the organisation.

Capital Programme – The account through which the Council manages all of its investment which increase the value of its assets.

Components – the various parts of a building/property – eg roof, central heating system, windows etc. The term is used for accounting purposes and Asset Management

Debt Cap – the maximum total level of indebtedness allowed within the HRA Business Plan

DCLG - Department for Communities and Local Government, the Government Department with responsibility for social housing.

General Fund – The financial account used by the Council to manage all financial transactions other than those involving services delivered specifically to Council tenants.

Headroom – the difference between the Opening Debt and the Debt Cap

HCA – Homes and Communities Agency, the Government regulator of social housing

Housing Benefit – a means tested allowance currently paid direct to the landlord to subsidise the level of rent due.

Housing Revenue Account – The account used to manage all revenue financial transactions relating to services only used by tenants. A protected account from which funds can only be used for the benefit of tenants, also known as the HRA.

HRA Reform – a process which will remove the national housing subsidy system, with effect from April 2012, and replace it with one that is locally controlled by individual Councils.

Major Repairs Allowance – an annual sum transferred from the Housing Revenue Account to fund improvements to Council tenants' homes.

Major Repairs Reserve – any balance retained within the Major Repairs provision and carried forward into the next financial year, to be used to fund future years investment needs.

Opening Debt – the total amount of debt owed within the HRA Business Plan at the April 2012 commencement of self financing.

Peak debt – within the business plan there will be a period of time when the amount of debt outstanding is at its highest, which is the Peak Debt period.

Rent – charges made to tenants in return for them occupying a property
Rent arrears – rent not paid by tenant

Rent Convergence – this policy was introduced by the previous government with a view to bringing Housing Association and Council rents into line with each other (Housing Association Rents were typically higher than Council rents). The policy is designed to harmonise rent levels in both sectors by 2015/16.

Self financing – the new name of the new financial regime that will replace the national housing subsidy system with effect from April 2012.

TSA – Tenant Services Authority, the former regulator, now being closed down

Voids – empty Council homes

16 APPENDICES

Section still being compiled